



Amendment Act on the Promotion of Biofuel

Effects of the changed minimum shares
Recalculation of the tax rates for pure fuel
Climate protection quotas for biofuel from 2015 onwards

UFOP informs about the Amendment Act on the Promotion of Biofuel

On 23 April 2009 the German Bundestag passed the federal government's draft bill of 1 December 2008 for the Amendment of the Promotion of Biofuel. Apart from making changes in the legislation, such as the reduction of the total biofuel quota in the fuel market by 1 per cent to 5.25 per cent for 2009, Parliament has also passed a resolution, in which it calls on the government to ensure that the sustainability standards applicable for the production, delivery and use of biofuel are observed. The Amendment Act stipulates grave changes in the promotion principles from 2015 in as much, as the use of biofuel will no longer be based on the obligation to observe quotas but to reduce the emissions of greenhouse gas. The Act will thus result in a slower expansion rate for the use of biofuel than expected so far.

UFOP informs below about the details of these changes in legislation.

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UFOP informs about the Amendment Act on the Promotion of Biofuel

On 23 April 2009 the German Bundestag passed the federal government's bill of 1 December 2008 that it submitted in conjunction with proposals from the Environmental Committee of 25 March 2009 to amend the legislation. It can be expected that the Amendment Act will be published in the Federal Gazette ("Bundesgesetzblatt") in late May 2009, after the Federal Council has met.

According to the official reasoning given, the Act stipulates in particular to focus the increased use of biofuel after 2015 on the commitment to reduce the greenhouse gas emissions in the fuel market. Moreover, the Act will also provide for a slower expansion rate for the use of biofuel than envisaged so far.

The federal government lists a number of reasons for its decision:

- First of all, the sustainability criteria for the biomass production are to be documented and are to become effective not only at national or EU level, but also in non-EU countries.
- Biomass is to be gained from other sources, in order to avoid usage competition.
- The addition of 10 vol. % of ethanol is not possible for a transitional period of time.
- Biofuel of the 2nd generation with a better climate footprint is not available as yet.

The Act mainly stipulates the following changes:

I. The total quota valid from 2009 onwards will be reduced to the following minimum shares:

- 5.25 caloric % in 2009 (instead of 6.25 %) – with retrospective effect from Jan 1, 2009
- 6.25 caloric % in 2010-2014 (instead of 6.75 % - 8 % in 2015)

II. The minimum quota for bio-ethanol in petrol will be reduced to

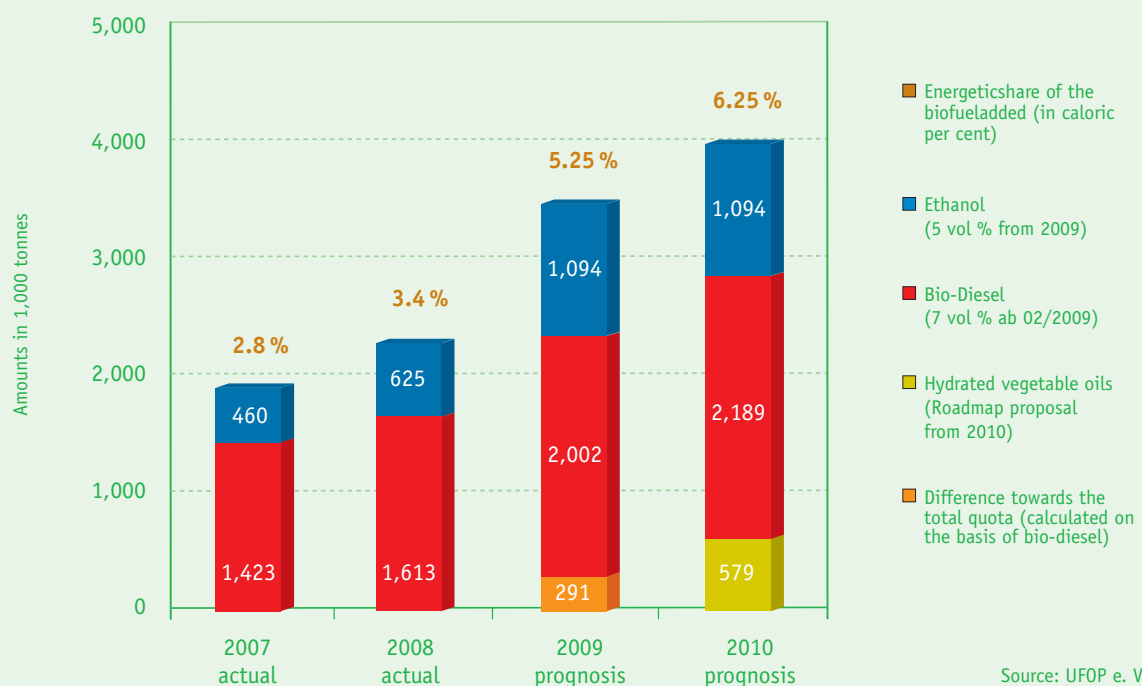
- 2.8 calorific % from 2010 (instead of 3.6 %)

III. The caloric minimum shares will be replaced from 2015 by a climate protection quota to reduce the greenhouse gas emissions from biofuel by

- 3 % from 2015
- 4,5 % from 2017
- 7 % from 2020

It had originally been planned in the draft bill of the 8th Amendment for the Federal Emissions Protection Act of 18 February 2008 to stipulate a reduction in greenhouse gas emissions by 5 % in 2015 and a rise to 10 % from 2020.

Development of the biofuel quotas



Climate protection quotas for biofuel from 2015

	biofuel quota 2009-2014*	climta quota from 2015	net-climate contribution**	biofuel in the mixture***
year	caloric %	%	%	caloric %
2008				3.40
2009	5.25			5.25
2010-2014	6.25			6.25
2015		3.0	50	6.00
2017		4.5	60	7.50
2020		7.0	70	10.00

*) Total quota from 2009 onwards.

***) It is assumed that the contribution of biofuel to the reduction of greenhouse gas emissions will increase from 50% in 2017 (new facilities 60 % from 2018) to approx. 70 % in 2020 as compared with the minimum value set forth in the EU Directive for the Promotion of Renewable Energies.

****) For 2008 calculated from the consumption; for 2009-2014 in accordance with the biofuel quota; for 2015-2020 calculated on the basis of the climate protection quota and the net climate protection contribution from biofuel.

Assuming a net contribution of 50 % from biofuel for climate protection, a biofuel share of 6 caloric % would be required to meet the climate protection quota of 3 % in 2015. It would have to be increased to 10 caloric % by 2020, if the net climate protection contribution was improved to an assumed 70 %. The total quota, the diesel quota and the petrol quota will only be valid until the end of 2014.

IV. The minimum share of biofuel can be satisfied by:

- adding biofuel to diesel and petrol
- pure biofuel (with the full tax rate)
- adding bio-methane to fuel made from natural gas (new).

V. Biofuel, for which direct state subsidies have already been made available and for which no countervailing or anti-dumping duties have been imposed, will be excluded.

This concerns bio-diesel generated from soy from the USA (B 99), on which the Euro-pean Union imposes already countervailing and anti-dumping duties.

VI. The energy tax for pure bio-diesel will be reduced for 2009 by 3 cent per liter with retrospective effect, so that the following tax rates apply:

- 18.29 cent per liter in 2009
- 24.50 cent per liter in 2010
- 30.41 cent per liter in 2011
- 42.22 cent per liter in 2012
- 45.03 cent per liter from 2013

Energy tax for B100 as pure fuel

	quota	full tax rate	tax share of quota	tax relief	reduced tax rate	difference towards quota	tax share	total tax	refund for agriculture & forestry
year	%	cent/l	cent/l	cent/l	cent/l	%	cent/l	cent/l	cent/l
2008	4.40 %	47.04	2.07	33.64	13.40	95.60 %	12.81	14.88	15.00
2009	5.25 %	47.04	2.47	30.34	16.70	94.75 %	15.82	18.29	18.29
2010	6.25 %	47.04	2.94	24.04	23.00	93.75 %	21.56	24.50	24.50
2011	6.25 %	47.04	2.94	17.74	29.30	93.75 %	27.47	30.41	30.41
2012	6.25 %	47.04	2.94	5.14	41.90	93.75 %	39.28	42.22	42.22
2013	6.25 %	47.04	2.94	2.14	44.90	93.75 %	42.09	45.03	45.03
2014	6.25 %	47.04	2.94	2.14	44.90	93.75 %	42.09	45.03	45.03

On the other hand, the tax rates derived for fuel from vegetable oil will only be changed by a different fictitious quota and amount to:

- 18.15 cent per liter in 2009,
- 26.33 cent per liter in 2010,
- 32.22 cent per liter in 2011,
- 45.03 cent per liter from 2012.

The Federal Finance Ministry has made it known that the refunds (compensation) will be regulated by way of a decree thru the main customs offices.

With their decision, both Parliament and the federal government have again ignored the existing shortfall in compensations that amount to 17 cent per liter of bio-diesel in non-integrated plants and to 28 cent per liter of vegetable oil from decentralized plants, as has recently been established and pointed out by UFOP.

Energy tax for fuel from vegetable oil

	quota	full tax rate	tax share of quota	tax relief	reduced tax rate	difference towards quota	tax share	total tax	refund for agriculture & forestry
year	%	cent/l	cent/l	cent/l	cent/l	%	cent/l	cent/l	cent/l
2008	4.40 %	47.04	2.07	38.89	8.15	95.60 %	7.79	9.86	10.00
2009	5.25 %	47.04	2.47	30.49	16.55	94.75 %	15.68	18.15	18.00
2010	6.25 %	47.04	2.94	22.09	24.95	93.75 %	23.39	26.33	26.00
2011	6.25 %	47.04	2.94	14.74	32.30	93.75 %	30.28	33.22	33.00
2012	6.25 %	47.04	2.94	2.14	44.90	93.75 %	42.09	42.03	45.00
2013	6.25 %	47.04	2.94	2.14	44.90	93.75 %	42.09	45.03	45.00
2014	6.25 %	47.04	2.94	2.14	44.90	93.75 %	42.09	45.03	45.00

VII. The law now stipulates for any implementing regulations that

- the long-term production of agricultural raw materials will be required, should bio-genic oils be intended to count towards the minimum share and

- the regulations covering the long-term cultivation (of such produce), nature conservation and the minimum rates for reducing greenhouse gas emissions shall be applied cumulatively (so far: alternatively). A departmental draft for a bio-fuel sustainability directive has already been submitted on the basis of the changed legal provisions, which the federal government is expected to put into force still during the first half year of 2009.

Legal note:

The above information is merely an explanation of the current biofuel law. Only the statutory provisions are legally binding.